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RR RUEHCN RUEHGH RUEHVC  
DE RUEHBJ #2477 2430907  
ZNR UUUUU ZZH  
R 310907Z AUG 09  
FM AMEMBASSY BEIJING  
TO RUEHC/SECSTATE WASHDC 5831  
INFO RUEHOO/CHINA POSTS COLLECTIVE  
RHMFIUU/CDR USPACOM HONOLULU HI

UNCLAS BEIJING 002477

DEPARTMENT FOR INR/R/MR, EAP/CM, EAP/PA, EAP/PD, C  
HQ PACOM FOR PUBLIC DIPLOMACY ADVISOR (J007)  
SIPDIS

E.O. 12958: N/A

TAGS: [PREL](#) [ECON](#) [KMDR](#) [OPRC](#) [CH](#)

SUBJECT: MEDIA REACTION: CHINA'S SECURITY, CCI CORPORATE BRIBERY  
CASE, U.S.-CHINA "BASKETBALL DIPLOMACY"

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Editorial Quotes  
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11. CHINA'S SECURITY

"Volatile situation in areas neighboring China tests China's  
response capability" (pg 4)

The official Xinhua News Agency international news publication  
International Herald Leader (Guoji Xianqu Daobao) (08/31): "China's  
rise will face greater challenges if the security environment in the  
areas neighboring China continues to deteriorate. Chinese experts  
argue that a complicated and chaotic 'belt' of security challenges,  
including nuclear weapons, gambling, drugs, and terrorism, surrounds  
China. Few countries in the world face as complicated a security  
environment as China. The U.S., the superpower, is geographically  
situated far away in North America, which allows it to achieve  
hegemony. China's diplomatic focus should be on Asia, but up to  
this point China has not focused enough on its Asia policy. The  
U.S., Japan, and South Korea have formed a small NATO in Northeast  
Asia, closing off China to the east. In addition, India is  
increasing its control over the Indian Ocean and plans to  
collaborate with the U.S., Japan, and Australia in this area. All  
of these countries have obvious plans to contain China, particularly  
the U.S. The U.S. has even reached tacit agreement on this point  
with small countries neighboring China."

12. CCI CORPORATE BRIBERY CASE

"State-owned companies should not always supervise themselves" (pg  
15)

The official Communist Party international news publication Global  
Times (Huanqiu Shibao)(08/31): (Related to the Control Components  
Inc. (a U.S. company) bribery case) "The State-Owned Assets  
Supervision and Administration has established a special  
investigation team to look into the recent bribery case involving  
China National Petroleum Corporation (CNPC). This is a critical  
step in supervising state-owned enterprises. CNPC's recent purchase  
of a commercial real estate venture at one third of the announced  
price has created wide-spread controversy. The CNPC responded by  
conducting an internal investigation, which the public does not  
trust at all. The public lacks confidence in CNPC's determination  
and capability to investigate its internal problems. Therefore,  
state-owned enterprises' self-supervision should stop. The active  
measures taken by the State-Owned Assets Supervision and  
Administration in investigating the CCI bribery case should serve as  
a lesson for CNPC's real estate purchase."

13. U.S.-CHINA "BASKETBALL DIPLOMACY"

"'Basketball diplomacy' shows development of China-U.S. relations"  
(pg 3)

The official Communist Youth League China Youth Daily (Zhongguo

Qingnianbao)(08/31): "The Washington Wizards' visit to China at Deng Xiaoping's invitation 30 years ago witnessed the normalization of U.S.-China relations. To commemorate this event, the Wizards will visit China again starting on September 5. The Wizards are very proud of their historic role in the development of China-U.S. relations. At a reception held in Washington, China's Ambassador to the U.S., Zhou Wenzhong, said the Wizards' visit to China will have historic significance. The visit will not only commemorate the 30th anniversary of China-U.S. relations, but will also be beneficial for enhancing exchanges between the 'sister cities,' Beijing and Washington. During the first China-U.S. Strategic and Economic Dialogue last month, President Obama gave Vice Premier Wang Qishan a basketball with his signature on it as a gift, which was seen as symbolic of the dialogue. The Washington Wizards' return to China, 30 years later, will help turn a new page in China-U.S. relations. 'Basketball diplomacy' seems to be playing an increasingly important role in China-U.S. relations."

HUNTSMAN